

**IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

In re:)	Adversary No. _____
)	
)	Case No. 05-41108-399
FALCON PRODUCTS, INC., a Delaware corporation, et al.,)	
)	JOINTLY ADMINISTERED UNDER
)	CHAPTER 11
Debtors.)	
<hr style="border: 0.5px solid black;"/>		
FALCON CREDITOR TRUST,)	
)	
Plaintiff,)	
)	
v.)	
)	
SAPPHIRE SYSTEMS LTD,)	
)	
Defendant.)	
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COMPLAINT TO AVOID AND RECOVER PREFERENTIAL TRANSFERS

The Falcon Creditor Trust (the “Trust”), for its Complaint against SAPPHIRE SYSTEMS LTD (the “Defendant”), states:

BACKGROUND

1. On January 31, 2005, Falcon Products, Inc., Epic Furniture Group, Inc., The Falcon Companies International, Inc., Falcon Holdings, Inc., Howe Furniture Corporation, Johnson Industries, Inc., Madison Furniture Industries, Inc., Sellers & Josephson, Inc., and Shelby Williams Industries, Inc. (collectively, the “Debtors”) filed petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). Subsequently, the Bankruptcy Court authorized the joint administration and procedural consolidation of the Debtors' chapter 11 cases under the above caption.

2. On October 18, 2005, the Bankruptcy Court confirmed the Debtors' Third Amended Joint Plan of Reorganization (the "Plan"). Pursuant to the Plan, the Debtors' cases were substantively consolidated. Additionally, certain rights and causes of action previously held by the Debtors vested in the Falcon Creditor Trust (the "Trust"), including the authority to prosecute Chapter 5 causes of action (referred to as the "Committee's Avoiding Power Causes of Action" in the Plan).

JURISDICTION AND VENUE

3. This Court has jurisdiction of this matter under 28 U.S.C. §§ 157 and 1334. This is a core matter under 28 U.S.C. 157(b)(2).

4. Venue is proper in this Court under 28 U.S.C. § 1409(a).

COUNT I: AVOIDANCE AND RECOVERY OF PREFERENTIAL TRANSFERS

5. The Trust hereby incorporates by reference paragraphs 1 through 4, inclusive, as if fully set out herein.

6. Within ninety (90) days prior to the filing of the Chapter 11 Case, the Defendant received transfers from one or more of the Debtors of its/their property totaling at least \$34,608.00 (collectively, the "Transfers").

7. Detail regarding the Transfers is set forth in Exhibit "A" attached and incorporated herein by reference. The Trust reserves the right to include within the Transfers all other pre-petition transfers which may be avoidable by the Trust under applicable law.

8. At the time of the Transfers, the Defendant was a creditor of one or more of the Debtors.

9. The Transfers were made to or for the benefit of the Defendant.

10. The Transfers were made while the Debtors were insolvent.

11. The Transfers were made for, or on account of, an antecedent debt owed by one or more of the Debtors to Defendant before such Transfers were made.

12. The Transfers enabled the Defendant to receive more than it would receive as a creditor if: (a) the case were a case under Chapter 7 of the Bankruptcy Code, (b) the Transfers had not been made, and (c) Defendant received payment of such debt to the extent provided under the Bankruptcy Code.

13. Pursuant to 11 U.S.C. § 547, the Transfers are avoidable.

14. Pursuant to 11 U.S.C. § 550, the Transfers or their value are recoverable from the Defendant.

15. Defendant has not returned the Transfers to the Trust or its predecessors in interest.

WHEREFORE, the Trust requests judgment in its favor and against Defendant avoiding the Transfers, granting the Trust a monetary judgment in the aggregate amount of the Transfers plus prejudgment interest, and granting such other and further relief as the Court deems just and proper.

COUNT II: OBJECTION TO CLAIM

16. The Trust hereby incorporates by reference paragraphs 1 through 15, inclusive, as if fully set out herein.

17. Because the Transfers are avoidable and recoverable under 11 U.S.C. §§ 547 and 550, any claim of the Defendant in the Debtors' Chapter 11 case should be disallowed pursuant to 11 U.S.C. § 502(d) until the Defendant pays the aggregate amount of the Transfers to the Trust.

WHEREFORE, the Trust requests judgment in its favor and against Defendant disallowing any claim of the Defendant in the Debtors' Chapter 11 case until the Defendant pays the aggregate

amount of the Transfers to the Trust, and granting such other and further relief as the Court deems just and proper.

DATED: January 29, 2007.

SPENCER FANE BRITT & BROWNE LLP

By Jennifer A. Merlo
Jennifer A. Merlo (MO 51455; EDMO 109053)
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dbrown@spencerfane.com
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1 North Brentwood Boulevard, 10th Floor
St. Louis, MO 63105
(314) 863-7733 – tel
(314) 862-4656 – fax

COUNSEL FOR FALCON CREDITOR TRUST

Payment Exhibit "A"

SAPPHIRE SYSTEMS LTD

<i>Check/Wire Number</i>	<i>Check/Wire Clear Date</i>	<i>Check/Wire Amount</i>	<i>Payment Method</i>
597541	11/4/2004	12,468.00	CHECKS
602291	1/18/2005	22,140.00	CHECKS
Preference Payments Total		34,608.00	

**THE
FALCON
COMPANIES.**

9387 Dielman Industrial Drive
P.O. Box 21569
Saint Louis, MO 63132-9815

FLEET MAINE, N.A.
SOUTH PORTLAND, ME

52-153
112

CHECK NO.

597541

CHECK DATE

10/20/04

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11246800

VOID AFTER 60 DAYS

CHECK AMOUNT

PAY
TO THE ORDER
OF

SAPPHIRE SYSTEMS LTD
8747 BIG BEND BLVD

11/04/04 E2263 T2416 POB \$12,468.00

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MO 63119

Philip J. Tracy

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**THE
FALCON
COMPANIES.**

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FLEET MAINE, N.A.
SOUTH PORTLAND, ME

52-153
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CHECK DATE

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VOID AFTER 60 DAYS

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PAY ONLY **2214000**

PAY TO THE ORDER OF
SAPPHIRE SYSTEMS LTD
8747 BIG BEND BLVD

ST LOUIS MO 63119

Philip J. Tracy

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x Sapphire Systems Ltd.
FOR DEPOSIT

ADVERSARY PROCEEDING COVER SHEET

(Instructions on Reverse)

ADVERSARY PROCEEDING NUMBER
(Court Use Only)

PLAINTIFFS

THE FALCON CREDITOR TRUST, assignee of the Chapter 11 estates of Falcon Products, Inc., et al.

DEFENDANTS

SAPPHIRE SYSTEMS LTD

ATTORNEYS (Firm Name, Address, and Telephone No.)

David M. Brown

Jennifer A. Merlo

Spencer Fane Britt & Browne LLP

1 N. Brentwood Blvd.

St. Louis, MO 63105 (314) 863-7733

ATTORNEYS (If Known)

PARTY (Check one box only) ☐ 1 U.S. PLAINTIFF ☐ 2 U.S. DEFENDANT ☒ 3 U.S. NOT A PARTY

CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)

To avoid and recover preferential transfers pursuant to 11 U.S.C. §§ 547 and 550, and to disallow any claim of the defendant pursuant to 11 U.S.C. § 502(d).

NATURE OF SUIT

(Check all causes of action in the complaint)

<input checked="" type="checkbox"/> 454 To Recover Money or Property	455 To revoke an order of confirmation of a	456 To obtain a declaratory judgment
<input type="checkbox"/> 435 To Determine Validity, Priority, or Extent of a Lien or Other Interest in Property	426 To determine the dischargeability of a debt	relating to any of foregoing causes of action
<input type="checkbox"/> 458 To obtain approval for the sale of both the interest of the estate and of a co-owner in property	434 To obtain an injunction or other equitable relief	<input type="checkbox"/> 459 To determine a claim or cause of action removed to a bankruptcy court
<input type="checkbox"/> 424 To object or to revoke a discharge 11 U.S.C. § 727	457 To subordinate any allowed claim or interest except where such subordination is provided in a plan	<input type="checkbox"/> 498 Other (specify)

ORIGIN OF PROCEEDINGS

(check one box only.)

☒ Original Proceeding

☐ Removed Proceeding

☐ Reinstated or Reopened

☐ Transferred from Another Bankruptcy Court

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$34608

OTHER RELIEF SOUGHT

JURY DEMAND (Check only if demanded in complaint)

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES

NAME OF DEBTOR

Falcon Products, Inc.

BANKRUPTCY CASE NO.

05-41108

DISTRICT IN WHICH CASE IS PENDING
Eastern District of Missouri

DIVISIONAL OFFICE
Eastern

NAME OF JUDGE
Honorable Barry S. Schermer

RELATED ADVERSARY PROCEEDING (IF ANY)

PLAINTIFF

DEFENDANT

ADVERSARY PROCEEDING NO.

DISTRICT

DIVISIONAL OFFICE

NAME OF JUDGE

FILING FEE (Check one box only) ☐ FEE ATTACHED ☐ FEE NOT REQUIRED ☒ FEE IS DEFERRED

DATE

1/29/07

PRINT NAME

Jennifer A. Merlo

SIGNATURE OF ATTORNEY (OR PLAINTIFF)

Jennifer A. Merlo